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SECOND COMMITTEE  
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### EXTERNAL DEBT CRISIS AND DEVELOPMENT

#### Malaysia\*: revised draft resolution

#### Towards a durable solution to the external debt problems

The General Assembly,

Recalling its resolutions 41/202 of 8 December 1986, 42/198 of 11 December 1987 and 43/198 of 20 December 1988,

Recalling also Trade and Development Board resolutions 165 (S-IX) of 11 March 1978, 1/ 222 (XXI) of 27 September 1980, 2/ 358 (XXXV) of 5 October 1988 3/ and 375 (XXXVI) of 13 October 1989, 4/

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\* On behalf of the States Members of the United Nations that are members of the Group of 77.

1/ Official Records of the General Assembly, Thirty-third Session, Supplement No. 15 (A/33/15), vol. I, part two, annex I.

2/ Ibid., Thirty-fifth Session, Supplement No. 15 (A/35/15), vol. II, annex I.

3/ Ibid., Forty-third Session, Supplement No. 15 (A/43/15), vol. II, sect. II.A.

4/ A/44/15 (vol. II), sect. II.A.

Concerned that a large number of developing countries experiencing debt difficulties, with serious social consequences, have recorded unsatisfactory rates of growth of output and development for many years, and that overall prospects for these countries are for a continuing unsatisfactory performance in 1989,

Recognizing that such a weak growth aggravated by the external debt crisis can pose a threat to their social and political stability,

Convinced that, in this context, overcoming the longstanding external indebtedness of developing countries would require, inter alia, and as appropriate, a significant reduction in the stock and debt service sufficiently large to contribute to the attainment of the objective of the resumption of vigorous growth and sustained development in indebted developing countries,

Recognizing that a number of recent initiatives aimed at a reduction of the stock of debt and debt service of developing countries, as well as debt relief measures, represent a conceptual advance and an important contribution to the efforts aimed at dealing with the debt crisis and that, in this regard, those initiatives need to be rapidly implemented to enhance their impact on the resolution of the debt crisis of developing countries,

Noting the close interrelationship among money, finance, resource flows, trade, commodities, development and external debt, and recognizing in this regard the important policy implications of this interrelationship for a durable solution to the debt problems,

Concerned at the decline of external resources available to developing countries for development due to, inter alia, severe external indebtedness,

Recognizing that overcoming the debt problems and ensuring that financial flows are fully and effectively utilized requires continuing adjustment efforts on the part of all countries, collectively and individually, each country contributing to the common objective in accordance with its capacities and weight in the world economy,

Emphasizing that the efforts being undertaken by developing countries to foster sustained economic growth, although important, cannot succeed in reactivating growth and development without a favourable international economic environment,

Recognizing that such a favourable international economic environment requires, inter alia, adjustment in the economies of the industrialized countries having a major impact on the world economy, including appropriate fiscal, monetary and trade policies, in order to eliminate the major imbalances in the world economy,

Welcoming the recognition of the need to continue efforts by all parties concerned to resolve the severe debt crisis and to forestall its proliferation and prevent its further aggravation,

Noting with deep concern the changes that have continued to occur in the destination and pattern of flow of external resources and the decline of those resources to developing countries, which have made the economic recovery and sustained development of developing countries more difficult,

1. Takes note of the report of the Secretary-General on the external debt crisis and development; 5/

2. Welcomes the contributions of the United Nations Conference on Trade and Development to the international search aimed at resolving the external debt crisis of developing countries and, in this regard, takes note of Trade and Development Board resolutions 165 (S-IX) and 375 (XXXVI), on debt and development problems of developing countries;

3. Expresses its appreciation to the Secretary-General for his efforts to find a solution to the debt problems and, in this regard, encourages him to continue further his efforts;

4. Recognizes the role of the international financial institutions in dealing with the debt problems of developing countries;

5. Urges all parties concerned to continue their efforts in pursuit of a durable, equitable and mutually agreed growth and development-oriented solution to the debt problems of developing countries which requires concerted international action;

6. Stresses that the deterioration in the economic situation of the indebted developing countries constitutes a major obstacle to their economic growth and sustained development, which can be a threat to their economic, social and political stability;

7. Welcomes the increasing acceptance by creditor countries of the need for writing off and/or reducing the debt stock and debt service of developing countries and, in this regard, the contributions that the recent initiatives aimed at the reduction of the debt stock and debt service of the developing countries can make;

8. Stresses that a supportive international economic environment, together with a growth-oriented development approach, is needed for supporting the efforts of debtor developing countries in dealing with their external indebtedness and alleviating the political and social costs of structural adjustment programmes and adjustment fatigue, thus contributing to the restoration of their economic growth, development and credit-worthiness;

9. Expresses deep concern that the overall indebtedness of the debtor developing countries has persisted and often increased, that their growth and development are severely limited, and their economic and social prospects continue to be a cause of serious concern;

10. Stresses the urgent need for the broadest implementation of the recent initiatives;

11. Emphasizes that in order to ensure that the recent initiatives, in particular debt reduction, in conjunction with appropriate economic policies and favourable international environment, have effective and comprehensive impacts on the reactivation of economic growth and sustained development in the developing countries, the following measures would be required:

(a) The negotiation of financial packages adequate to support growth-oriented adjustment programmes, including, as appropriate, debt reduction, debt-service reduction, new lending and other measures, so that the financial obligations and payment capacity of individual debtor countries are made more compatible; the combination of these elements should lead to the release of sufficient resources to generate higher levels of investment and resumption of vigorous growth and development and satisfaction of the needs of the populations;

(b) Review by creditor Governments of tax, regulatory and accounting practices in order to remove unnecessary obstacles with respect to new lending to developing countries and debt reduction and debt service reduction, to ensure that a supportive policy environment is achieved and maintained;

(c) Enhancing the medium- and long-term perspective of the rescheduling process by ensuring that it takes fully into account the policies and programmes oriented towards development and adjustment with growth that are formulated by each country concerned. In this context, consideration should be given, where appropriate, to rescheduling agreements in a multi-year basis;

(d) The Governments of member countries of the International Monetary Fund, the World Bank and other multilateral financial institutions ensure that these institutions have adequate resources, sufficient for the full discharge of their mandate, including where appropriate, their role in the implementation of recent initiatives;

(e) Serious consideration should continue to be given to mutually agreed ways and means of assisting debtor developing countries faced with large and bunched debts to the multilateral financial institutions;

(f) Continuation of increased flexibility applied by the parties concerned in the development of innovative approaches, including those devised by banks and debtors, to take advantage of discounts prevailing in secondary markets;

(g) Strengthening and improvement in existing compensatory finances of multilateral financial institutions;

(h) That all those involved take into account the above, as appropriate, in working towards a growth-oriented solution of the problems of external indebtedness of developing countries which are facing serious debt-servicing problems, including, inter alia, those whose debt is mainly to official creditors or multilateral institutions;

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12. Stresses that a durable solution to the debt problems and the revival of growth and sustained development in the developing countries require, inter alia, the following:

(a) That all Governments work towards a more open international trading system which improves access especially for the export products of developing countries particularly in the context of the Uruguay Round;

(b) Increased efforts at diversification of exports of developing countries in order to enable them to achieve more stable earnings. Appropriate compensatory financing arrangements for shortfall in export earnings from commodities can facilitate this process;

(c) Increased external resources to complement domestic measures conducive to capital formation in developing countries with insufficient savings and inadequate flow of resources from abroad;

(d) Intensified efforts by industrial countries to continue structural adjustment, maintain the vigour of their expansion while reducing and/or containing inflation, and work towards a mix of fiscal and monetary policies that would allow interest rates to come down, and hence induce a more favourable international economic climate;

(e) It is essential for debtor developing countries to pursue and intensify their efforts to raise savings and investment, reduce inflation and improve efficiency, taking into account their own individual characteristics and vulnerability of the poorer strata;

(f) Coherent and co-ordinated policies on the part of the industrialized countries, including multilateral surveillance, aimed at addressing the imbalances in the world economy;

13. Recognizes that the external indebtedness of some other countries with serious debt-servicing problems also gives rise to considerable concern and invites all those involved to take into account, as appropriate, the above provisions in addressing those problems, and in working towards a growth-oriented solution to the external debt problems;

14. Requests the Secretary-General to report on the implementation of the present resolution to the General Assembly at its forty-fifth session, including an assessment of the impact of the external debt crisis on availability of resources for the growth and socio-economic development of developing countries.

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